



Memphis City Council Summary Sheet

Please provide a brief summary of the item, in bullet form, not to exceed one page:

1. Describe item (Resolution, Ordinance, etc.)

Resolution to approve the 2012 Electric, Gas and Water Operations and Capital Budget which includes an increase in water rates of 5.0% to be effective with meters read on Cycle 1 of the January 2012 revenue month on a non-prorated basis and which includes commercial and industrial gas rate schedule changes that produce no additional gas revenue.

2. Identify initiating party (e.g., Public Works; at request of City Council, etc.)

At the request of Memphis Light, Gas & Water

3. State whether this is a change to an existing ordinance or resolution, if applicable.

There is no change to an existing resolution or ordinance.

4. State whether this requires a new contract, or amends an existing contract, if applicable.

The resolution does not require a new contract, or amends an existing contract.

5. State whether this requires an expenditure of funds/requires a budget amendment.

No contracts, expenditure of funds, or budget amendments are required.

RESOLUTION

WHEREAS, the Board of Light, Gas and Water Commissioners has submitted a proposed budget for the Memphis Light, Gas and Water Division for operation and maintenance expenses for the calendar year 2012, and the capital expenditures for 2012 specifying the portion to be funded from current year's revenue; and

WHEREAS, the Council has, through its MLGW Committee and other interested members of the Council, reviewed the budget and conducted hearings thereon; and

WHEREAS, the Board of Commissioners has approved said budget and submitted to the City Council with the recommendation of the Board for approval;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Memphis that the attached 2012 Budget for operation and maintenance expenses and capital expenditures of the Memphis Light, Gas and Water Division is approved.

JANIS FULLILOVE
Chairman, MLGW Committee

MYRON LOWERY
Chairman
Memphis City Council

E X C E R P T
from
MINUTES OF MEETING
of
BOARD OF LIGHT GAS AND WATER COMMISSIONERS, CITY OF MEMPHIS
held
October 20, 2011

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The President presented the 2012 budgets of the Electric, Gas and Water Divisions for 2012 operation and maintenance expenses and the 2012 capital expenditures to the Board of Light, Gas and Water Commissioners for adoption.

Such annual budgets will include the applicable revenues, expenses and capital improvements for each system. These budgets have been reviewed by the Budget Review Committee, the applicable management staff, and the Board.

The President also recommends that the Board approve the adoption and revisions to Water Rate Schedules W-1, W-2, W-5, W-6, W-7, W-8, W-9, W-10, W-11, W-51, W-53, W-57, FP-1 and FP-2 proposed to become effective with Cycle 1 meter readings for the January 2012 revenue month on a non-prorated basis. The proposed rate increase of approximately 5.0% for water for each customer rate class is estimated to produce an annual increase in revenues of \$3,973,840 for water during the calendar year 2012.

The rate increase for the Water Division is due to the effects of increases in general operating expenses, reduced cash balances, and capital expenditures for system improvements.

The President also recommends that the Board approve the adoption and revisions to the Gas Rate Schedules G-7, G-8 & G-9, G10 & G12, G10 & G12 Market (replaces IT-Prime), FT-1 (replaces IT-1), FT-2 (replaces IT-2), CNG (new) and LNG (new) proposed to become effective with Cycle 1 meter readings for the January 2012 revenue

month. The gas rate schedule language revisions to the commercial and industrial gas rate schedules allow MLGW to add flexibility to commercial and industrial rates to meet customer service needs.

After discussion, the Board of Memphis Light, Gas and Water Commissioners determined that, in their opinion, the proposed new water rates are necessary in order to keep the Water Division financially sound, and that they are in compliance with Chapter 381 of Private Acts 1939, as amended, creating the Division. Additionally, the Board of Memphis Light, Gas and Water Commissioners determined that, in their opinion, the gas rate schedule changes are necessary and the gas rate schedule language changes produce no additional Gas Division revenues for MLGW.

NOW THEREFORE BE IT RESOLVED BY the Board of Light, Gas and Water Commissioners:

- (1) THAT, the Budgets for the Electric, Gas and Water Divisions for the 2012 operation and maintenance expenses and the 2012 capital expenditures, as presented by the President, subject to further action as may be necessary by the President to amend the budgets to reflect the outcome of on-going negotiations regarding the Memorandum of Understanding and subject to the consent and approval of the Council of the City of Memphis, be adopted and be in effect for the fiscal year 2012;
- (2) THAT, the Board of Light, Gas and Water Commissioners approve and adopt the attached Water Rate Schedules and attached Gas Rate Schedules as described in the foregoing preamble to this resolution subject to the consent and approval of the Council of the City of Memphis, to become effective with Cycle 1 meter readings for the January 2012 revenue month on a non-prorated basis; and
- (3) THAT, the Board of Light, Gas and Water Commissioners, by this resolution, petitions the Memphis City Council to convene as a ratemaking body at a public hearing to be held on December 6, 2011 and to consider and determine revisions in MLGW water and gas tariffs and rates effective with meters read on Cycle 1 of the January 2012 revenue month as herein recommended and approved by this Board;

- (4) BE IT FURTHER RESOLVED THAT the President is directed to cause to be published in a newspaper of general circulation in Shelby County, Tennessee a public notice of the intention of MLGW to seek approval from the Memphis City Council of the water and gas rate revisions adopted herein at a public ratemaking hearing to be convened on December 6, 2011.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular - special meeting held on 20 day of October, 2011, at which a quorum was present.



Acting Secretary - Treasurer



Memphis City Council Summary Sheet

Resolution authorizing the purchase of natural gas at a discount to market price from PEAK (Public Energy Authority of Kentucky) for a term not to exceed eight years (Contract No. 11528).

- This item is a resolution to authorize the purchase of natural gas at a discount to market price from PEAK (Public Energy Authority of Kentucky) for a term not to exceed eight years
- This resolution is being initiated by MLGW
- This is not a change to any existing Resolution or Ordinance.
- A New Gas Supply Contract between PEAK and MLGW will be executed for this transaction.
- MLGW will pay for natural gas received monthly from PEAK in arrears.

CITY COUNCIL RESOLUTION

WHEREAS, at its meeting held on October 20, 2011, the Board of Light, Gas and Water Commissioners was advised that natural gas is available for purchase at a discount to market price from the Public Energy Authority of Kentucky ("PEAK") if MLGW commits to purchase certain scheduled, predetermined quantities of gas each year during a contract term not to exceed eight years. The gas volumes to be purchased decline monthly from an estimated maximum volume of 13,500 MMBtus per day to an estimated volume total of approximately 4,000 MMBtus per day. This commitment to purchase natural gas at a discount to market price will provide estimated aggregate savings to MLGW of approximately \$2,000,000 during the term of the contract based on the estimated final volumes to be purchased and an anticipated discount of approximately \$0.05 per MMBtu for the first year volumes purchased, and \$0.12 per MMBtu on all volumes purchased for the remaining term on the cost of natural gas. MLGW will pay monthly in arrears for volumes consumed from PEAK. No initial funds are required from MLGW to enter into this transaction. In order to take advantage of such cost savings MLGW will be required to enter into a contract with PEAK incorporating its commitment to purchase gas volumes from PEAK for a term not to exceed eight years and setting forth the discounted rates on or prior to December 8, 2011; and further,

WHEREAS, the Board authorized the purchase of natural gas at a discount to market price from PEAK, for a term not to exceed eight years and delegated authority to the President or Vice President of Customer Care or his approved staff to execute and deliver a contract to purchase natural gas at a discount to market price from PEAK for a term not to exceed eight years on substantially the terms and conditions set forth above.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MEMPHIS THAT, the President or Vice President of Customer Care of MLGW is hereby authorized to purchase natural gas from PEAK monthly for a term not to exceed eight years at purchase prices reflecting a discount from the market price for natural gas and to enter into a contract with PEAK reflecting the quantities to be purchased and the discounted price to be paid for the gas purchased substantially on the terms set forth in the preambles above (the "Contract"); and

FURTHER RESOLVED, that the President or Vice President of Customer Care of MLGW is authorized to take all further necessary actions and to execute (i) the Contract, on terms substantially similar to the terms set forth in the preambles to this resolution and containing such other terms as are deemed necessary and appropriate by such officers, upon the advice of counsel, and (ii) all other agreements and documents, deemed necessary and appropriate by such designated officers, upon advice of counsel, to consummate the transaction contemplated in this Resolution.

**Excerpt
from
Minutes of Meeting
of
Board of Light, Gas and Water Commissioners
City of Memphis
held
October 20, 2011**

The Vice President of Customer Care informed the Board of Light, Gas and Water Commissioners that natural gas is available for purchase at a discount to market price from the Public Energy Authority of Kentucky ("PEAK") if MLGW commits to purchase certain scheduled, predetermined quantities of gas each year during a contract term not to exceed eight years. The gas volumes to be purchased decline monthly from an estimated maximum volume of 13,500 MMBtus per day to an estimated volume total of approximately 4,000 MMBtus per day. This commitment to purchase natural gas at a discount to market price will provide estimated aggregate savings to MLGW of approximately \$2,000,000 during the term of the contract based on the estimated final volumes to be purchased and an anticipated discount of approximately \$0.05 per MMBtu for the first year volumes purchased, and \$0.12 per MMBtu on all volumes purchased for the remaining term on the cost of natural gas. MLGW will pay monthly in arrears for volumes consumed from PEAK. No initial funds are required from MLGW to enter into this transaction. In order to take advantage of such cost savings MLGW will be required to enter into a contract with PEAK incorporating its commitment to purchase gas volumes from PEAK for a term not to exceed eight years 8 years and setting forth the discounted rates on or prior to December 8, 2011.

Therefore, the Vice President of Customer Care recommends that the Board authorize the purchase of natural gas at a discount to market price from PEAK, for a term not to exceed eight years and delegate authority to the President or Vice President of Customer Care or his approved staff to execute and deliver a contract to purchase natural gas at a discount to market price from

PEAK for a term not to exceed eight years on substantially the terms and conditions set forth above.

NOW, THEREFORE, BE IT RESOLVED THAT the President or Vice President of Customer Care is hereby authorized to purchase natural gas from PEAK monthly for a term not to exceed eight years at purchase prices reflecting a discount from the market price for natural gas and to enter into a contract with PEAK reflecting the quantities to be purchased and the discounted price to be paid for the gas purchased substantially on the terms set forth in the preambles above (the "Contract"); and

FURTHER RESOLVED, that the President or Vice President of Customer Care is authorized to take all further necessary actions and to execute (i) the Contract, on terms substantially similar to the terms set forth in the preambles to this resolution and containing such other terms as are deemed necessary and appropriate by such officers, upon the advice of counsel, and (ii) all other agreements and documents, deemed necessary and appropriate by such designated officers, upon advice of counsel, to consummate the transaction contemplated in this Resolution.

RESOLVED, that the Vice President of Customer Care will apprise the Board of the schedule of quantities of natural gas to be purchased and the anticipated savings based on those quantities for the term of the contract with PEAK following the execution thereof.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular - special meeting held on 20 day of October, 2011, at which a quorum was present.


Acting Secretary - Treasurer



Memphis City Council Summary Sheet

Please provide a brief summary of the item, in bullet form, not to exceed one page:

1. Describe item (Resolution, Ordinance, etc.)

Resolution requesting City Council to convene as a rate making body in a public hearing on December 6, 2011, and to consider and determine revisions in tariffs for increases in water rates (5.0%) effective with meters read on Cycle 1 of the January 2012 revenue month on a non-prorated basis and to consider and determine revisions to commercial and industrial gas rates that produce no additional gas revenue effective with meters read on Cycle 1 of the January 2012 revenue month as adapted and recommended by the Board of MLGW.

2. Identify initiating party (e.g., Public Works; at request of City Council, etc.)

At the request of Memphis Light, Gas & Water

3. State whether this is a change to an existing ordinance or resolution, if applicable.

There is no change to an existing resolution or ordinance.

4. State whether this requires a new contract, or amends an existing contract, if applicable.

The resolution does not require a new contract, or amends an existing contract.

5. State whether this requires an expenditure of funds/requires a budget amendment.

No contracts, expenditure of funds, or budget amendments are required.

RESOLUTION

WHEREAS, pursuant to Chapter 381 of the Private Acts of 1939, and City of Memphis Charter Section 680, authority is granted to the governing body of the City of Memphis to convene as a Ratemaking Board for the purpose of determining changes in electric, gas and water rates; and

WHEREAS, the Memphis Light, Gas and Water Division has made application under said sections for the Council to hold a public hearing, at which time the Council will convene as a Ratemaking Board to consider approval by the Council of revisions to the schedule of water and gas rates adopted and recommended by the Board of Commissioners of MLGW;

WHEREAS, the City Council, as authorized by the City's Charter, convened a public hearing as a Ratemaking Board for the purpose of considering approval of revisions in the schedule of water and gas rates adopted and recommended by the Board of Commissioners of MLGW;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Memphis, properly convened and sitting as a Ratemaking Board pursuant the City Charter's Ratemaking Provisions and the Charter as a whole, that the rate application of the Memphis Light, Gas and Water Division consisting of correspondence and exhibits filed herewith and the resolution of the Board of Light, Gas and Water Commissioners establishing said rates ("MLGW Rate Application") is hereby approved and the schedule of water rates is hereby approved and prescribed resulting in a 5.0% increase for each customer rate class, and that the schedule of gas rates for commercial and industrial

customers, G-7, G-8 & G-9, G10 & G12, G10 & G12 Market (replaces IT-Prime) FT-1 (replaces IT-1), FT-2 (replaces IT-2), CNG (new) and LNG (new), are amended and approved as presented which results in no additional Gas Division revenues for MLGW.

BE IT FURTHER RESOLVED by the Council of the City of Memphis that the aforesaid water and gas rate changes shall be effective for Cycle 1 meter reading for the January 2012 revenue month on a non-prorated basis.

BE IT FURTHER RESOLVED the Council expressly finds that the approval of revisions in the schedule of gas and water rates as set forth above is necessary, to prescribe rates that will be sufficient for the Memphis Light, Gas and Water Division to pay all expenses of operation, maintenance of gas and water systems, interest and sinking funds on bonds or other indebtedness, reserves for working capital, renewals and replacements, casualties and other fixed charges, payments in lieu of taxes, construction and capital expenditures, and reserves for safe operating margins.

JANIS FULLILOVE
Chairman, MLGW Committee

MYRON LOWERY
Chairman
Memphis City Council

E X C E R P T
from
MINUTES OF MEETING
of
BOARD OF LIGHT GAS AND WATER COMMISSIONERS, CITY OF MEMPHIS
held
October 20, 2011

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The President presented the 2012 budgets of the Electric, Gas and Water Divisions for 2012 operation and maintenance expenses and the 2012 capital expenditures to the Board of Light, Gas and Water Commissioners for adoption.

Such annual budgets will include the applicable revenues, expenses and capital improvements for each system. These budgets have been reviewed by the Budget Review Committee, the applicable management staff, and the Board.

The President also recommends that the Board approve the adoption and revisions to Water Rate Schedules W-1, W-2, W-5, W-6, W-7, W-8, W-9, W-10, W-11, W-51, W-53, W-57, FP-1 and FP-2 proposed to become effective with Cycle 1 meter readings for the January 2012 revenue month on a non-prorated basis. The proposed rate increase of approximately 5.0% for water for each customer rate class is estimated to produce an annual increase in revenues of \$3,973,840 for water during the calendar year 2012.

The rate increase for the Water Division is due to the effects of increases in general operating expenses, reduced cash balances, and capital expenditures for system improvements.

The President also recommends that the Board approve the adoption and revisions to the Gas Rate Schedules G-7, G-8 & G-9, G10 & G12, G10 & G12 Market (replaces IT-Prime), FT-1 (replaces IT-1), FT-2 (replaces IT-2), CNG (new) and LNG (new) proposed to become effective with Cycle 1 meter readings for the January 2012 revenue

month. The gas rate schedule language revisions to the commercial and industrial gas rate schedules allow MLGW to add flexibility to commercial and industrial rates to meet customer service needs.

After discussion, the Board of Memphis Light, Gas and Water Commissioners determined that, in their opinion, the proposed new water rates are necessary in order to keep the Water Division financially sound, and that they are in compliance with Chapter 381 of Private Acts 1939, as amended, creating the Division. Additionally, the Board of Memphis Light, Gas and Water Commissioners determined that, in their opinion, the gas rate schedule changes are necessary and the gas rate schedule language changes produce no additional Gas Division revenues for MLGW.

NOW THEREFORE BE IT RESOLVED BY the Board of Light, Gas and Water Commissioners:

- (1) THAT, the Budgets for the Electric, Gas and Water Divisions for the 2012 operation and maintenance expenses and the 2012 capital expenditures, as presented by the President, subject to further action as may be necessary by the President to amend the budgets to reflect the outcome of on-going negotiations regarding the Memorandum of Understanding and subject to the consent and approval of the Council of the City of Memphis, be adopted and be in effect for the fiscal year 2012;
- (2) THAT, the Board of Light, Gas and Water Commissioners approve and adopt the attached Water Rate Schedules and attached Gas Rate Schedules as described in the foregoing preamble to this resolution subject to the consent and approval of the Council of the City of Memphis, to become effective with Cycle 1 meter readings for the January 2012 revenue month on a non-prorated basis; and
- (3) THAT, the Board of Light, Gas and Water Commissioners, by this resolution, petitions the Memphis City Council to convene as a ratemaking body at a public hearing to be held on December 6, 2011 and to consider and determine revisions in MLGW water and gas tariffs and rates effective with meters read on Cycle 1 of the January 2012 revenue month as herein recommended and approved by this Board;

- (4) BE IT FURTHER RESOLVED THAT the President is directed to cause to be published in a newspaper of general circulation in Shelby County, Tennessee a public notice of the intention of MLGW to seek approval from the Memphis City Council of the water and gas rate revisions adopted herein at a public ratemaking hearing to be convened on December 6, 2011.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular - special meeting held on 20 day of October, 2011, at which a quorum was present.



Acting Secretary - Treasurer

**STATEMENT OF DANA J. JEANES
ACTING CHIEF FINANCIAL OFFICER AND SECRETARY TREASURER
MEMPHIS LIGHT, GAS AND WATER DIVISION
CITY OF MEMPHIS
October 20, 2011**

My name is Dana J. Jeanes and I reside at 11523 Metz Place in Eads, Tennessee. I hold the position of Acting Chief Financial Officer and Secretary Treasurer at Memphis Light, Gas and Water Division, and it is my duty to make recommendations concerning the schedule of rates to the Board of Commissioners. I have recommended and the Board of Commissioners has approved, pursuant to Section 680 of the Charter of the City of Memphis, a schedule of rates as will enable the Memphis Light, Gas and Water Division pursuant to said Charter requirements to pay operating expenses, interest, sinking funds reserve, working capital, renewal and replacements, casualties, and other fixed charges including necessary capital improvements and payments in lieu of taxes to the City of Memphis.

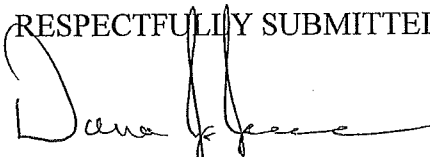
On October 20, 2011, I recommended to the Board that water rate increases be implemented due to the effects of increases in general operating expenses, reduced cash balances, and capital expenditures for system improvements. I recommend that water rates be increased an overall 5.0% for each customer rate class. The total proposed revenue increases on an annual basis are estimated to be \$3,973,840 for water during the calendar year 2012. Additionally, I recommended to the Board some language revisions to the commercial and industrial gas rate schedules which allow MLGW to add flexibility to commercial and industrial rates to meet customer service needs and foster economic development. The gas rate changes will produce no additional revenue for MLGW.

I have further advised the Board of certain factors and details outlining the necessity of these rate tariff changes and file herewith exhibits of these factors for your consideration and discussion of the public hearing to be held on December 6, 2011.

As Acting Chief Financial Officer and Secretary Treasurer of Memphis Light, Gas and Water Division, it is my opinion that the rates requested by the Division will produce sufficient revenues to meet the obligations of Memphis Light, Gas and Water under the Charter and Covenants in Bond Resolutions.

For the reasons set out above, I recommend that the Memphis City Council, pursuant to Chapter 381 of the Private Acts of 1939, as amended, approve these revisions at the public hearing to be held on December 6, 2011.

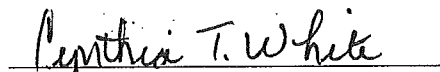
RESPECTFULLY SUBMITTED



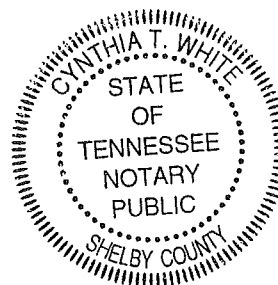
Dana J. Jeanes

Acting Chief Financial Officer and Secretary Treasurer
Memphis Light, Gas and Water Division

Sworn to and subscribed before
me the undersigned this 21st
day of October, 2011.


Notary Public

My commission expires:
~~MY COMMISSION EXPIRES~~
JUNE 04, 2013



Gas Rate Language Changes

Our goal was to add flexibility to commercial and industrial rates to meet customer service needs and foster economic development. Changes include:

1) Renaming MLGW's Interruptible Transportation to Firm Transportation

- comparisons to other utilities show we operate this service as FT
- the Chamber of Commerce Study found this would be beneficial in marketing these rates

2) Renaming IT-Prime service to G-10-Market

- clarifies this rate is similar to our G-10 & G-12 Interruptible Rate but uses a different pricing strategy

3) Updating gas scheduling requirements for transporting customers

- current language was difficult to explain and apply

4) Revising some of the penalties interruptible/transportation customer incur for failing to perform

- will bring MLGW more in line with other local distribution companies

5) Giving all interruptible sales customers the right to schedule gas for Memphis delivery in the event MLGW curtails their supply

- during an interruption, this will allow MLGW to take back our gas supply and also allow the interrupted customers to purchase other supplies to continue operation

6) Adding flexibility to the methods MLGW may use to communicate Operational Flow Orders

- under the current method, communication could not be done in a timely manner
- should have an automated system in place before the end of 2011

7) Adding liquefied natural gas (LNG) and compressed natural gas (CNG) rates

- will allow MLGW to take advantage of opportunities